



**BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT**

Proposed Fiscal Year End 2016 Budget

Budget and Finance Committee

April 22, 2015

Jeff McKay

Deputy Air Pollution Control Officer



OUTLINE

- Status of Current Fiscal Year End (FYE) 2015
- Review of Revenue and Expenditure FYE 2016
- Review of Proposed Policy Recommendations



Revenue Projections for Current FYE 2015

Out of \$65 M Budget

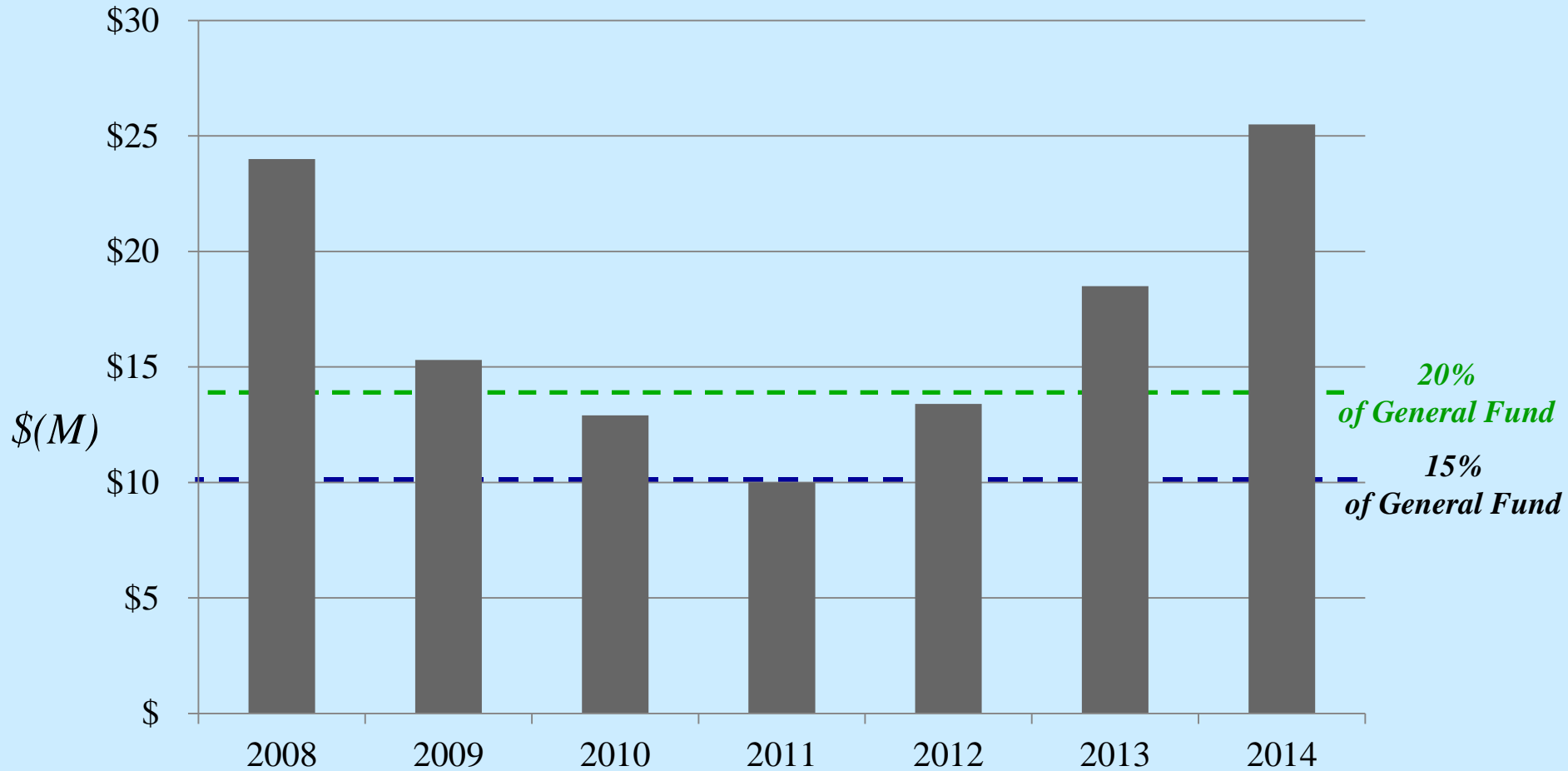
As of April 2015:

- Permit Fee revenue on target
- Property Tax revenue on target
- Expenditures on target



DISTRICT RESERVE FUNDS

Audited Values





APPROVED RESERVE TRANSFERS FYE 2015

- During FYE 2015 Board Approved Transfers:
 - \$1M for 375 Beale Street Design and Construction
 - \$1.4M for JDE Software Upgrade



OVERVIEW

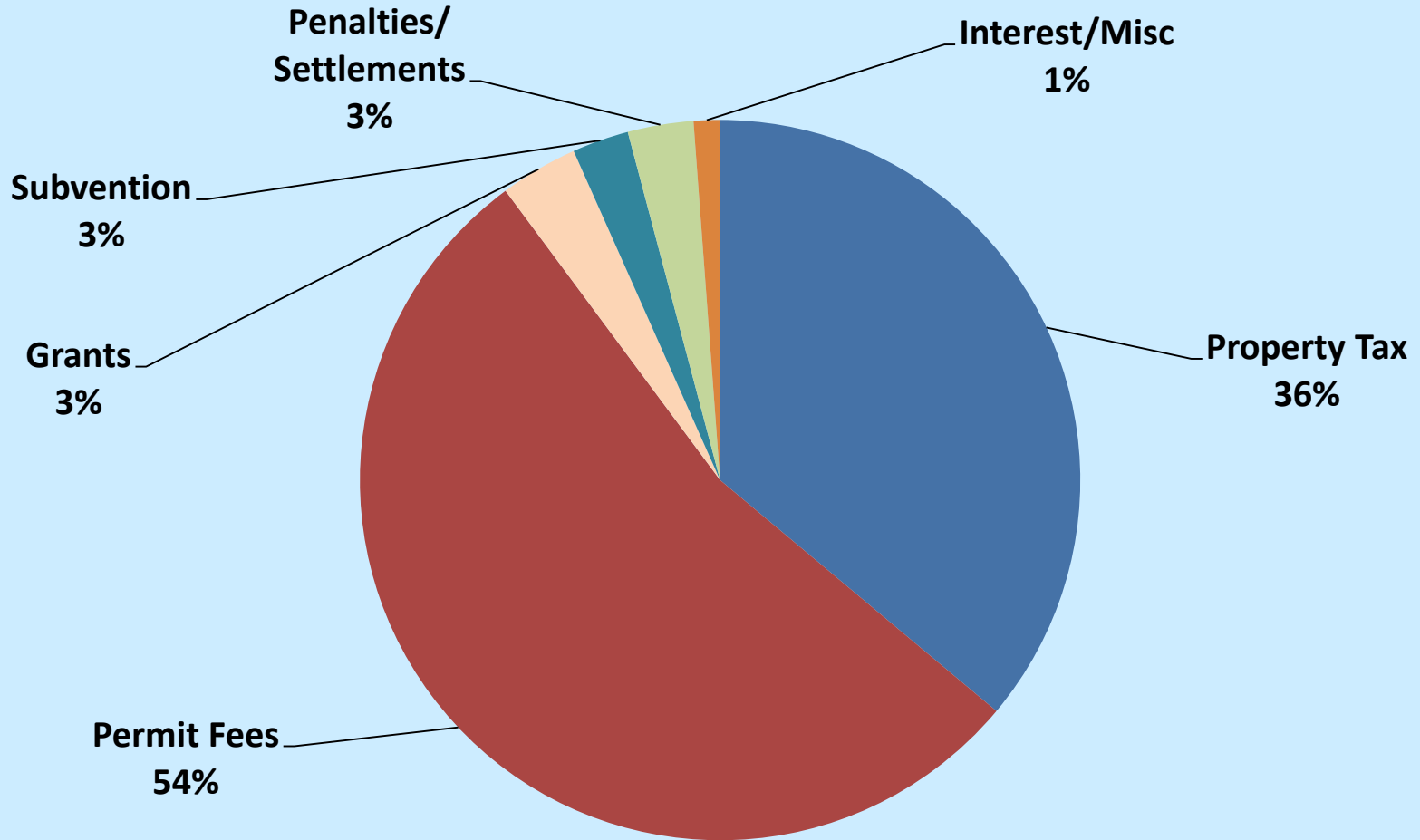
Proposed Budget for FYE 2016

(Excludes New Building Financing)

- \$72.5 M General Fund Budget
- Incorporates Cost Recovery Policy
- Additional GHG funding for 2 new positions
- Hire Staff: From 329 to 334 filled positions
- Addresses Retirement Liabilities
- Includes 2.6% COLA
- Use of Reserves & Proposed Reserve Policy



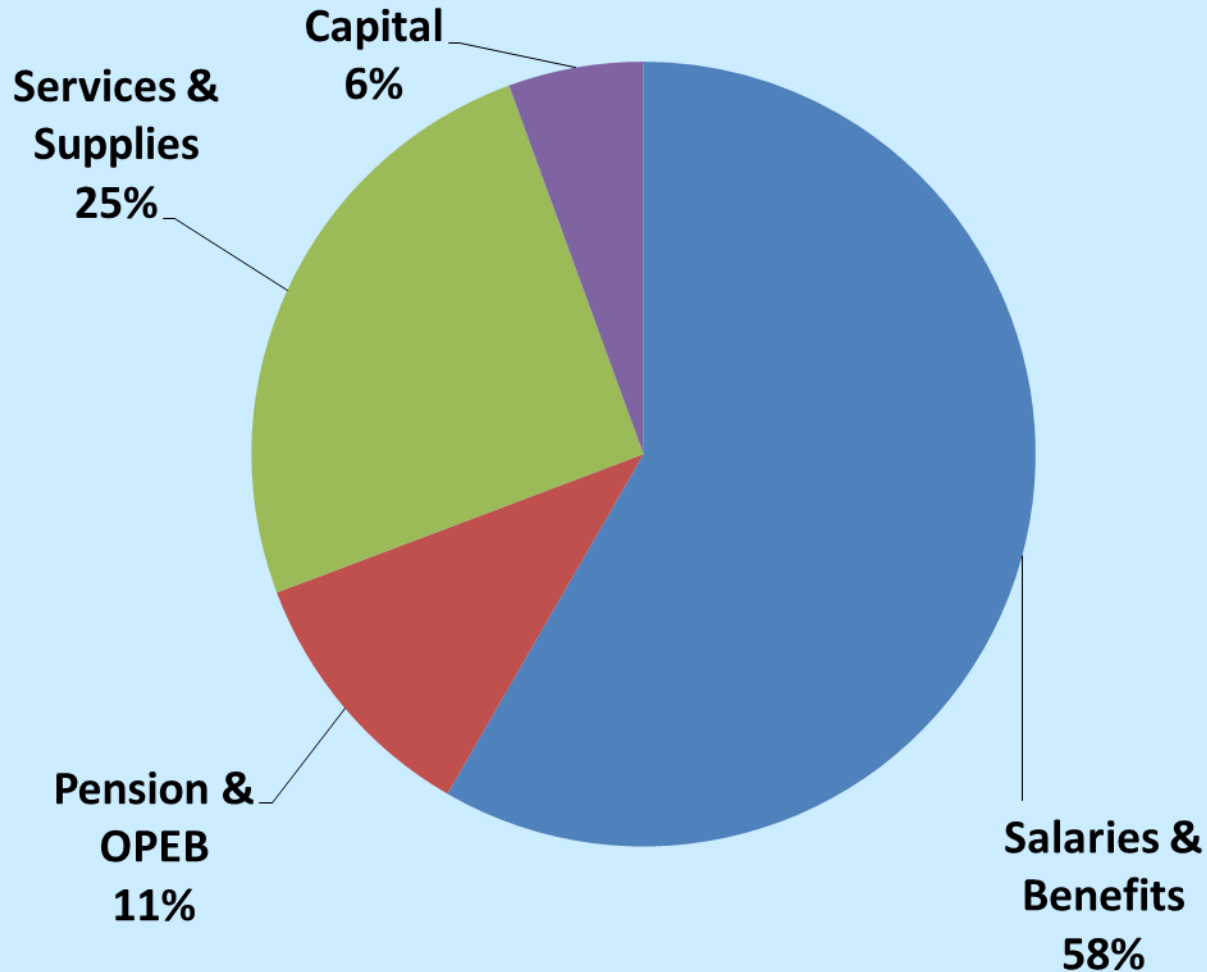
GENERAL FUND REVENUE SOURCES (FYE 2016 Proposed Budget)



Excludes Building Proceeds

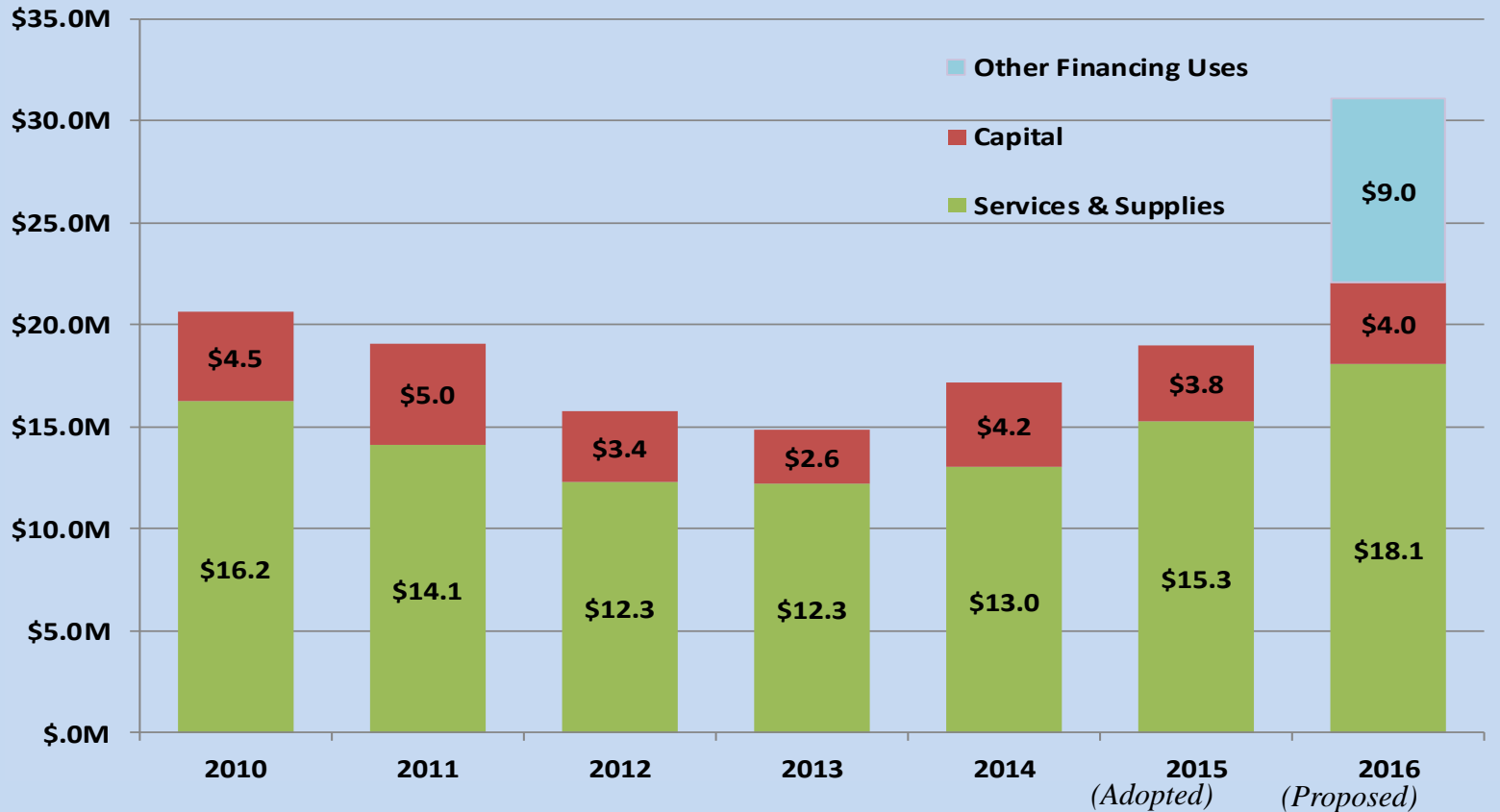


GENERAL FUND EXPENDITURES (FYE 2016 Proposed Budget)



Excludes Building Financing

CAPITAL and SERVICES & SUPPLIES



Other Financing Uses							\$9.0
Capital	\$4.5	\$5.0	\$3.4	\$2.6	\$4.2	\$3.8	\$4.0
Services & Supplies	\$16.2	\$14.1	\$12.3	\$12.3	\$13.0	\$15.3	\$18.1
Total	\$20.7	\$19.1	\$15.7	\$14.8	\$17.2	\$19.0	\$31.1



FYE 2016 PROPOSED FEES

- Fourth year of Cost Recovery Policy
 - Average 6.4% fee increase in FYE 2016 budget
 - Additional GHG fees to cover new programs
 - Strong involvement by regulated community



CLIMATE PROGRAM STAFFING

- Implementation of the Air District's 10-Point Climate Action Work Plan

- 4.6 cents per ton of GHG implemented over 2 years
 - 4 Positions (2 in 2015 and 2 in 2016)
 - Planning (2)
 - Inspection (1)
 - Technical (1)



FYE 2016 FTE STAFFING LEVEL

FYE 2015 Budgeted Positions	329
FYE 2016 Recommended Positions	5
Total Budgeted Positions	334

FYE 2016 FUND BALANCE SUMMARY

FUND BALANCES	6/30/2014 Audited	6/30/2015 Projected	6/30/2016 Projected
Reserve for Building and Facilities	\$ 500,000	\$ 500,000	\$ -
Reserve for Capital Equipment Contingency	\$ 1,000,000	\$ 1,000,000	\$ 1,360,000
Reserve for Economic Contingency (20%)	\$ 10,114,309	\$ 10,114,309	\$ 14,501,024
Reserve for Fleet Contingency	\$ -	\$ -	\$ 1,000,000
Reserve for IT-Desktop Equipment	\$ 500,000	\$ 500,000	\$ 500,000
Reserve for IT- Event Response	\$ 500,000	\$ 500,000	\$ 500,000
Reserve for JD Edwards Software Upgrade	\$ 1,000,000	\$ 1,000,000	\$ -
Reserve for Pension & Post Employment Liability	\$ 1,800,000	\$ 1,800,000	\$ 1,600,000
Reserve for Tech- GHG Monitoring Equipment	\$ 360,900	\$ 360,900	\$ 360,900
Reserve for Tech- Meterological Network Equipment	\$ 417,100	\$ 417,100	\$ 417,100
Reserve for Tech- Mobile Monitoring Instruments	\$ 450,000	\$ 450,000	\$ 450,000
Reserve for GHG Abatement Technology Study	\$ -	\$ -	\$ 500,000
Reserve for Woodsmoke Program	\$ -	\$ -	\$ 1,000,000
Reserve for Worker's Comp Self -Funding	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Unreserved and Undesignated	\$ 7,404,751	\$ 7,404,751	\$ -
Prior Approved Transfers	\$ -	\$ (1,858,036)	\$ -
Proposed Use of Fund Balance	\$ -	\$ -	\$ (1,316,825)
TOTAL SPECIAL RESERVES	\$ 25,047,060	\$ 23,189,024	\$ 21,872,199
Building Proceeds	\$ 14,668,200	\$ 14,668,200	\$ 14,168,200
Building Financing Cost	-	(500,000)	(9,000,000)
TOTAL BUILDING PROCEEDS	\$ 14,668,200	\$ 14,168,200	\$ 5,168,200
TOTAL FUND BALANCE	\$ 39,715,260	\$ 37,357,224	\$ 27,040,399



FYE 2016 USE OF RESERVES RECOMMEDATIONS

375 Beale Building Acquisition	\$9,000,000
Information Technology	\$900,000
Lab & Monitoring Equipment	\$416,825
	<u>\$10,316,825</u>



FUND BALANCE POLICY

- Current Fund Balance Policy: 15% of General Fund Expenditures
 - FYE 2016 Budget of \$73M = \$11M (minimum)
 - Proposed Policy: 20% = \$14.5M (minimum)



UNFUNDED LIABILITIES

(based on June 30, 2013 Valuation)

➤ CalPERS Retirement

- \$232M Obligation – 77% Funded
- \$53M Unfunded

➤ OPEB Medical

- \$50M Obligation – 40% Funded
- \$30M Unfunded



UNFUNDED LIABILITIES RESPONSE for CalPERS

- CalPERS projects required contributions will increase from about 15% of salary to about 20% of salary over five years.
- Required contribution (ARC) FYE 2016 = \$5.25M
- Proposed FYE 2016 Prefund = \$250,000:
 - 105% of ARC = \$5.5M



MOTIVATION PRE-FUND CALPERS

- Reduce year-to-year changes in future budgets
- Use CalPers return on funds to reduce future obligations



UNFUNDED LIABILITIES RESPONSE for OPEB

- Unfunded Liability = \$30M
- FYE2016 OPEB Estimated Normal Cost = \$2M
- Propose continuation of prefund amount = \$3M
- Proposed Policy: 90% minimum funded level
- No target date in Policy



OFFICE BUILDING OBLIGATIONS

- 375 Beale Street projected acquisition date: January 2016
 - Contribution of \$9M; reducing obligation
 - FYE 2016 Monthly Base Financing is \$100,000
 - HOA approximately \$1M/year, SSO additional

- 939 Ellis Street monthly lease of \$91,925
 - Lease becomes \$114,906 beginning October 1, 2015



SUMMARY

Budget FYE 2016

- Budget balanced
- Reserve drawdown of \$1.3M
- Budgeted positions increased to 334
- Other Post-Employment Benefits (OPEB):
 - Contribution remains at \$3M
 - 90% Funding Target
- Additional CalPERS contribution (\$250K)
- Minimum Reserve increased to 20% of Budget



RECOMMENDATIONS

- Consider recommending that the Board of Directors:
 1. Adopt the FYE 2016 Proposed Budget
 2. Approve 20% Minimum Reserve Policy
 3. Approve 90% OPEB Funding Target Policy



NEXT STEPS

- April 15 - Held 1st Public Hearing on Proposed Fees
- May 20 – 1st Public Hearing on Proposed Budget
- June 3 – 2nd Public Hearing and Adoption of:
 1. Proposed Fees
 2. Proposed Budget